

Message Text

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TO USMISSION GENEVA
USDEL MTN GENEVA

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FOLLOWING REPEAT MONTEVIDEO 0998 ACTION SECSTATE 11 MAR 1977.

QUOTE LIMITED OFFICIAL USE MONTEVIDEO 0998

DEPARTMENT PASS ARA/ECA FOR GRAHAM AND GENEVA FOR MTN

E.O. 11652: N/A
TAGS: ECON, EGEN, ETRD, EINV, EFIN, UY
SUBJ: TOTAL REVISION OF EXPORT-IMPORT REGIME
TARGETED FOR APPLICATION BY MID-YEAR
1977

REF: (A) 75 MONTEVIDEO A-083, (B) MONTEVIDEO 0230
(C) MONTEVIDEO A-003

SUMMARY:

GOU FINALIZES NEW ALIGNMENT OF IMPORT SURCHARGES AND
EXPORT CREDITS AGAINST STRONG INDUSTRY OBJECTION. INCREASE
IN REVENUES TO RESULT IN FISCAL IMPROVEMENT. END SUMMARY.

1. NEWSPAPERS CONTINUE TO ANALYSE GOU PROPOSALS FOR A NEW EXPORT-
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IMPORT REGIME. EMBASSY REPORTED INITIAL DETAILS IN REFERENCES
(B) AND (C). WE NOW UNDERSTAND THAT SURCHARGES ON IMPORTS,
WHICH FOR MOST PRODUCTS RANGED BETWEEN 0 AND 200 PERCENT
OF BASIC TARIFFS, ARE TO BE REALIGNED. THIS CHANGE WOULD
ALSO ELIMINATE A TEMPORARY 7 PERCENT SURCHARGE
IMPOSED OVER A YEAR AGO AND DESIGNED TO REPLACE REVENUES
LOST WITH THE ABOLITION OF PRIOR DEPOSITS ON IMPORTS.

ALSO PROPOSED IS THE ELIMINATION OF EXEMPTIONS, EVEN ON CAPITAL GOODS, WHICH WOULD PLACE A MINIMUM 10 PERCENT SURCHARGE ON ALL ENTERING ITEMS, WHILE AT THE OTHER END OF THE SCALE THE 200 PERCENT MAXIMUM WOULD BE LOWERED IN SOME DEGREE. NEWSPAPERS TODAY ALSO ANNOUNCE THE GOU'S INTENTION, IN LINE WITH POLICY DECIDED IN LAST DECEMBER'S HIGH-LEVEL CONCLAVE, TO REDUCE THE "REINTEGROS," OR SPECIAL INCENTIVE CREDITS FOR EXPORTERS, BY 20 PERCENT AS OF THE SECOND HALF OF THIS YEAR. (THIS IS THE THIRD SUCCESSIVE LOWERING OF EXISTING RATES, THE 2 PRIOR REDUCTIONS AMOUNTING TO 10 PERCENT EACH.) FOR EXPORTERS THIS IMPLIES A LOSS OF SIGNIFICANT BENEFITS ON BOTH THE IMPORT AND EXPORT SIDE, BUT FOR THE GOU AND MAJOR PROPONENT CENTRAL BANK PRESIDENT JOSE GIL DIAZ, THE AIM IS A REDUCED FISCAL DEFICIT IN LINE WITH ANNOUNCED TARGETS APPROVED BY THE IMF. THE MEASURE REPORTEDLY HAS FULL OFFICIAL GOU APPROVAL, LACKING ONLY FINAL PRESIDENTIAL SIGNATURE, EVEN THOUGH THE CHAMBER OF INDUSTRIES HAS PROTESTED ENERGETICALLY. ITS CHIEF OFFICER, EDGARDO ABELLA, HOWEVER, CONCEDES THE BATTLE ON THE ISSUE.

2. THE EMBASSY HAS BEEN TOLD THAT THE U.S. INFORMALLY EXPRESSED SOME CONCERN IN THE IMF THAT THE NET EFFECT OF THESE PROPOSED CHANGES MIGHT BE ONE OF INCREASED PROTECTIONISM, BUT THAT THOSE OBJECTIONS WERE APPARENTLY OVERCOME IN CONTINUING DISCUSSIONS. THE EMBASSY WOULD APPRECIATE RECEIVING A COPY OF THE URUGUAYAN SUBMISSION OF ITS NEAR-TERM TARGETS TO THE IMF IN CONNECTION WITH STANDARD REVIEW OF ITS PERFORMANCE UNDER THE STANDBY WHICH TOOK PLACE IN EARLY FEBRUARY. THAT PRESENTATION WOULD BE LIMITED OFFICIAL USE

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HELPFUL IN OUR CONTINUING ANALYSIS OF THE STRUCTURE OF TARIFF AND SURCHARGE CHANGES BEING PROPOSED BY THE GOVERNMENT. SIRACUSA UNQUOTE VANCE

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